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C O N F I D E N T I A L SECTION 01 OF 02 SKOPJE 000673

SIPDIS

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TAGS: [NATO](#) [PGOV](#) [PHUM](#) [PREL](#) [KV](#) [AL](#) [MK](#)
SUBJECT: DAS STUART JONES VISIT TO SKOPJE, OCTOBER 27-29

Classified By: AMBASSADOR PHILIP REEKER FOR REASONS 1.5 (b) and (d).

¶1. (C) Summary: In addition to discussions on the name issue, Macedonian leaders discussed regional, economic, and bilateral issues with EUR DAS Jones during his October 27-29 visit. GoM officials pressed for further development of the Trade Investment Framework Agreement (TIFA) U.S. cooperation for developing the Krivolak military grounds for counter-terrorism training, and consideration of Macedonia joining the visa waiver program. Most interlocutors believe Serbia is coming to grips with Kosovo's independence, but expressed concerns about the future in Kosovo and Bosnia. GoM leaders believe Macedonia will avoid a banking crisis, but expect an economic downturn nonetheless. Opposition politicians slammed the Gruevski government, calling it undemocratic and leading the economy to ruin. During this visit, Jones met with President Crvenkovski, PM Gruevski, FM Milososki, DUI Party leader Ahmeti, SDSM Secretary General Ivanovski, and numerous members of parliament, the diplomatic corps, the media, and the academy. End summary.

ECONOMY AND INVESTMENT ENVIRONMENT IN MACEDONIA

¶2. (SBU) In preparation for Ambassador Reeker's participation in the Macedonian Embassy's San Francisco and Chicago Business Forum conferences in November, DAS Jones and the Ambassador discussed Macedonia's economic and investment environment during their meetings. The PM and FM both feel the financial markets in Macedonia are safe from any immediate affects of the world economic crisis but expressed deeper concern for the impact it would have on the real economy and foreign investment in Macedonia. Both feel Macedonia has taken positive steps to encourage foreign investment in Macedonia's economy but stated that the crisis has already caused potential foreign and domestic investors to delay or pull out of many investments. The PM expects the crisis to begin to have a negative impact on Macedonia's growth in the fourth quarter of 2008 and first quarter of ¶2009. Local World Bank, European Development Bank, IMF and EU representatives believe Macedonia has done well to legislate economic reforms but had failed to effectively implement the new laws. They cite instances where potential investors were poorly received, and they expressed concerns about government follow-through once investors were established in Macedonia. SDSM's Ivanovski believes Macedonia has significant political and security problems that must be resolved before Macedonia will become attractive to investors. Ivanovski and the FM both commented on how the crisis would impact the metal industry, which is already in a serious downturn. The FM claimed it was suffering due to falling international prices, whereas Ivanovski pointed to the government's current reduction in energy subsidy support to Feni (Macedonia's nickel plant) as irresponsible political maneuvering that would further strain the industry.

13. (C) FM Milososki suggested the development of Macedonia's TIFA, investment in and modernization of the Krivolak Military Grounds to provide urban anti-terrorism training, and beginning the process to get Macedonia on the visa waiver program were three areas where the U.S. could provide support to Macedonia under the Strategic Framework Agreement. DAS Jones' recommended that Macedonia explore joint TIFA development projects with other countries in the region; Milososki agreed. Ambassador said he would examine possibilities regarding the Krivolak Military Grounds. (In follow-up conversation, the Embassy's Office of Defense Cooperation stated they were planning to invest in military facilities to meet at least some of those training needs.) Finally, the DAS explained that the process for the visa waiver program was very difficult, but cited Croatia as a country that had made excellent progress. He suggested the FM consult with his counterpart in Zagreb for more information on the process and best practices.

BALKAN OUTLOOK

14. (C) All the Macedonian leaders DAS Jones met expressed positive outlooks for the Balkan region. Crvenkovski feels Serbia could no longer destabilize Kosovo, adding that Belgrade needed to finally come to terms with Kosovo's independence. However, he feels Serbian socialist factions could still destabilize Serbia, and their upcoming

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parliamentary elections would be critical to their future. The FM was less optimistic on Kosovo's stability and believed once Kosovo came up short of their high expectations the government could become unstable and problems could erupt in the inter-ethnic northern region of the country. The President and FM both agree the other potential hotspot in the region is the separatist Republika Srpska in Bosnia. Macedonian officials emphasize the positive role Macedonia has played in regional security and development, clearly attempting to make a case for increased pressure from the U.S. for Macedonia's NATO ambitions. Jones made it clear there were no alternative routes to NATO membership, and that Macedonia must continue with the UN-mediated process for resolving the name issue.

15. (U) DAS Jones cleared this cable.
NAVRATIL